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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, OCTOBER 31, 2002

APPLICATION OF

RAPPAHANNOCK ELECTRIC COOPERATIVE

CASE NO. PUE-2002-00419

For review of tariffs and terms
and conditions of service

FINAL ORDER

On December 29, 2000, Rappahannock Electric Cooperative ("Rappahannock" or the "Cooperative"), filed an application for State Corporation Commission ("Commission") approval of the Cooperative's plan for functional separation ("Plan") as required by the Virginia Electric Utility Restructuring Act (the "Act"), Chapter 23 of Title 56 of the Code of Virginia (§§ 56-576 et seq.) On December 18, 2001, the Commission issued its Final Order in Case No. PUE-2001-00007 approving Rappahannock's application. Ordering paragraph number three (3) of the above-mentioned Final Order directed Rappahannock to "provide tariffs and terms and conditions of service to the Division of Energy Regulation that conform to this Order and all applicable Commission Rules and Regulations one hundred and fifty (150) days prior to its implementation of retail choice."

On August 2, 2002, Rappahannock filed tariffs and terms and conditions of service with the Division of Energy Regulation in anticipation of commencing retail access in its retail service territory effective January 1, 2003.¹ Rappahannock's filings included: (1) Rappahannock Electric Cooperative - Unbundled Tariffs and Rate Schedules for All Customer Classes, (2) Rappahannock Electric Cooperative - Terms and Conditions for Providing Electric Service, and (3) Rappahannock Electric Cooperative - Competitive Service Provider Coordination Tariff, including: Competitive Service Provider Agreement, Electronic Data Interchange (EDI) Trading Partner Agreement, Transmission Customer Designation Form, CSP Dispute Resolution Procedure and Aggregator Agreement. Also, pursuant to the Commission's Final Order in Case No. PUE-2001-00306, Rappahannock also submitted its Adjusted Market Rate and Competitive Transition Charges Calculation.²

In an Order dated August 9, 2002, in this proceeding, the Commission directed the Cooperative to provide notice to the

¹ On January 25, 2002, Rappahannock, in association with the other electric cooperatives in Virginia, filed a Comprehensive Wires Charge Proposal ("Proposal"), Case No. PUE-2001-00306, Ex Parte: In the matter of considering requirements relating to wires charges pursuant to the Virginia Electric Utility Restructuring Act ("Wires Charge Case"). The Commission rendered a decision in this case on May 24, 2002.

² Also, pursuant to 20 VAC 5-312-90 K of the Commission's Retail Access Rules, Rappahannock's *Plan to Provide Price-to-Compare Information and Assistance to Customers* was filed with the Commission on October 3, 2002.

public and established a procedural schedule for the filing of comments and requests for hearing on Rappahannock's application. In that Order, the Commission directed its Staff to investigate the application and file a report detailing its findings and recommendations.

On September 3, 2002, comments on the application were filed by Bear Island Paper Company, L.L.C., ("Bear Island") and Plantation Pipe Line Company ("Plantation"). Bear Island commented on paragraph A of the proposed Schedule LP-2 filed by Rappahannock. Bear Island concludes that treating the wholesale power charges in Schedule LP-2 as a pass-through rate means that there is no generation cap and therefore the competitive transition charge ("CTC") for Schedule LP-2 will always be zero under existing laws and regulations. Bear Island requested a hearing in this proceeding only if Rappahannock and the Commission Staff do not agree that the CTC for Schedule LP-2 will always be zero under existing laws and regulations. Plantation filed comments relating to the Cooperative's Large Power High Diversity Service Schedule HD-1-U. Plantation stated that this rate schedule would result in charges that would be unreasonable because they would be excessive and substantially higher than charges for similar service by other electric suppliers. In its comments, Plantation requested that the Commission and Staff investigate the rates and charges set forth

in Rappahannock's application, particularly as they apply to its service to Plantation.

On September 10, 2002, Rappahannock filed proof of notice and proof of publication pursuant to the Commission's August 9, 2002, Order.

On September 27, 2002, the Staff filed its Report wherein it recommended that the Commission approve Rappahannock's tariffs and terms and conditions with the adoption of certain modifications recommended by the Staff.

On October 4, 2002, Rappahannock filed its Response to the Staff Report. In its Response, Rappahannock agreed to make certain changes to its Terms and Conditions recommended by Staff. Regarding the issue of proof that the applicant is the owner or *bona fide* lessee of the subject premises, Rappahannock agreed to add language requiring ownership papers or a signed lease agreement or letter from the landlord, and a photo ID of the lessee. The Cooperative also agreed to add language describing the point of attachment and addressing the ownership or provision of an entrance cable, the same as that which is included in its current Terms and Conditions. Further, Rappahannock agreed to delete a new charge for in-depth studies to determine the effect of new apparatus on the Cooperative's system, and language that provided for the calculation of an increased monthly charge in certain situations. Rappahannock,

however, objected to the Staff's recommendation that the Cooperative's Dispute Resolution Procedure be amended to allow for informal resolution of the dispute with the Commission's Staff prior to initiating formal proceedings. Rappahannock stated that the Staff's recommendation simply introduces another level and additional parties to the process, and is an unnecessary additional step that may further delay resolution rather than hasten it.

Rappahannock also responded to Bear Island's and Plantation's comments. In response to Bear Island's comments, the Cooperative proposed to revise paragraph A of Schedule LP-2-U-RA to state:

- A. An amount equal to the Competitive Transition Charge as reviewed and approved by the Commission which, under the laws and regulations existing at the time this rate schedule goes into effect, is zero, plus

Regarding Plantation's comments, Rappahannock stated that it agrees with the Staff that this case is not the proper forum for consideration of the issues raised by Plantation since this is not a rate case, but agreed to work with Plantation to explore whatever equitable options may be available.

NOW THE COMMISSION, having considered the Cooperative's application, Staff's Report, the comments filed by Bear Island and Plantation, and applicable law, approves Rappahannock's application, subject to the modifications detailed herein.

We incorporate, by reference, our findings in the Wires Charge Case (Case No. PUE-2001-00306) reflecting the appropriate fuel adjustments and wires charge calculation for Rappahannock. In addition, we find that the wires charges calculated by Rappahannock shall be that established consistent with the methodology approved by the Commission for Virginia Power and AEP-Virginia in our November 19, 2001, Order in Case No. PUE-2001-00306, and updated by our October 11, 2002, Order in that proceeding.

With respect to the issues of proof that the applicant is the owner or *bona fide* lessee of the subject premises, and the description of the point of attachment, we agree with the Staff and accept Rappahannock's proposed changes to its Terms and Conditions. The Cooperative's proposed language describing proof of ownership or lease is similar to language we have approved for other cooperatives. We also agree with Staff and accept the Cooperative's deletion of new charges for in-depth studies to determine the effect of new apparatus on its system, and deletion of increased monthly charges in certain situations.

Regarding the Staff's recommendation to amend Rappahannock's Dispute Resolution Procedure to permit informal resolution of disputes with the Commission's Division of Energy Regulation prior to initiating formal proceedings, we find that the Cooperative need not make this change to its tariff.

Rappahannock's Dispute Resolution Procedure does not prohibit either party from, at any time, approaching the Commission's Staff to attempt informal resolution of disputes if such disputes cannot be resolved between the parties. We therefore do not believe that the Staff's proposed amendment is necessary.

Next, we address Bear Island's comments on paragraph A of Rappahannock's proposed Schedule LP-2, and Rappahannock's proposed replacement paragraph. As stated in Rappahannock's proposed paragraph A, the CTC is zero under current laws and regulations. We therefore accept the Cooperative's proposed language regarding the CTC in Rate Schedule LP-2-U-RA.

With respect to Plantation's comments relating to the unreasonableness of the Cooperative's Rate Schedule HD-1-U, we agree with the Staff and Rappahannock that this is not the proper proceeding for consideration of this issue.

Finally, we will accept as part of its filed CSP Coordination Tariff the form of agreements submitted by Rappahannock.

Accordingly, IT IS ORDERED THAT:

(1) Rappahannock's proposed tariffs and terms and conditions of service amended as recommended by Staff and subject to the modifications discussed herein are hereby approved.

(2) Rappahannock shall file its amended tariffs no later than 15 days after the date of this Order.

(3) All terms and conditions and any rate schedules applicable to Rappahannock's Retail Access Pilot Program shall be terminated.

(4) This case is hereby dismissed, and the papers filed herein shall be placed in the file for ended causes.